

Message Text

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ORIGIN EUR-12

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DRAFTED BY EUR/EE:DNMILLER/RN
APPROVED BY EUR/EE:JAARMITAGE
L/C:FKWIATEK
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A/FBO:PSTANGE (RE PROPERTY)
EB/IFD/OMA:RJRYAN
TREASURY:DWOLKOW
TREASURY:RGOODMAN
TREASURY:ERENDALL
TREASURY:WJORDAN

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R 210132Z JUL 76

FM SECSTATE WASHDC

TO AMEMBASSY BUDAPEST

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E.O. 11652: N/A

TAGS: EFIN, HU

SUBJECT: WORLD WAR I DEBT AND SURPLUS PROPERTY CLAIMS

REF: BUDAPEST 1356 AND PREVIOUS, AND BUDAPEST 1398

1. WE WISH TO OFFER THE HUNGARIANS A CHANCE TO MOVE
AHEAD ON A POSSIBLE SETTLEMENT OF THE WORLD WAR I
DEBT AND RELATED MATTERS MAKING THE FOLLOWING POINTS:

1) IN SOME RESPECTS THE APRIL 16 HUNGARIAN NOTE IS
NOT FULLY ACCEPTABLE TO THE U.S. AS A BASIS FOR DIS-
CUSSIONS, 2) WE ARE PREPARED TO RECEIVE THE HUNGARIANS
IN WASHINGTON AND/OR TO HOLD DISCUSSIONS THROUGH EM-
BASSY BUDAPEST, 3) US CHARGE D'AFFAIRES IS SPECIFICALLY
DESIGNATED AS OUR REPRESENTATIVE FOR ANY DISCUSSIONS IN
BUDAPEST, 4) THE U.S. GOVERNMENT EXPECTS THE MATTER OF
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THE "BLOCKED ACCOUNTS" CONFISCATED BY THE GOVERNMENT OF

HUNGARY (GOH) TO BE RESOLVED CONCURRENTLY, AND 5) THE U.S. GOVERNMENT CONSIDERS THE \$13.74 DIFFERENCE IN THE SURPLUS PROPERTY DRAW-DOWN ACCOUNT AS SETTLED.

2. THE LATEST HUNGARIAN NOTE SEEKS TO OBTAIN AS A PRE-CONDITION FOR NEGOTIATIONS ON THE FLOUR DEBT U.S. CONSENT TO REMOVE THE APPLICABILITY OF THE JOHNSON ACT AT THE TIME THAT AN AGREEMENT ON THE ELIMINATION

OF ARREARAGES IS CONCLUDED. THE U.S. DOES NOT CONSENT TO THIS CONDITION. WE WILL LIFT APPLICABILITY OF THE JOHNSON ACT AFTER COMPLETE PAYMENT OF ARREARAGES HAS BEEN MADE. FYI: IN ADDITION, WE CANNOT PRECLUDE THE AUTOMATIC REINVOCATION OF THE JOHNSON ACT IN THE EVENT, FOR INSTANCE, THAT THE 1977 OR 1978 CLAIMS AGREEMENT PAYMENT IS NOT MADE WHEN DUE (JUNE 10 EACH YEAR) OR IF THE GOH DEFAULTS ON RECOGNIZED DEBTS TO USG CONTRACTED IN THE FUTURE. END FYI. WE CONSIDER THAT INADEQUATELY COMPENSATED SEIZURES OF U.S. GOVERNMENT PROPERTY DO NOT COME WITHIN THE MEANING OF THE JOHNSON ACT. WE BELIEVE THE LANGUAGE IN OUR PREVIOUS NOTES COVERS THESE CONTINGENCIES. NONETHELESS, ASSESSING PROPERTY VALUES AND BEGINNING NEGOTIATIONS TO OBTAIN A JUST SETTLEMENT THESE PROPERTY QUESTIONS ARE AMONG PRIORITY ITEMS FOR 1976.

3. EMBASSY IS INSTRUCTED TO REPLY TO GOH WITH A NOTE CONTAINING THE FOLLOWING:

QUOTE: THE GOVERNMENT OF THE UNITED STATES OF AMERICA WELCOMES THE STATEMENT BY THE GOVERNMENT OF THE HUNGARIAN PEOPLE'S REPUBLIC IN ITS NOTE OF APRIL 16 THAT IT IS READY TO CONCLUDE AN AGREEMENT WITH THE GOVERNMENT OF THE UNITED STATES OF AMERICA IN ORDER TO ELIMINATE ARREARAGES RESULTING FROM THE 1924 FUNDING OF THE FLOUR DEBT. ONCE THIS AGREEMENT IS CONCLUDED AND FULL PAYMENT OF PRINCIPLE AND INTEREST IN ARREARS HAS BEEN RECEIVED, THE GOVERNMENT OF THE UNITED STATES, ASSUMING NO OTHER ARREARAGES ARISE, WILL PUBLISH A DECLARATION THAT THE HUNGARIAN PEOPLE'S REPUBLIC IS NOT IN DEFAULT OF LIMITED OFFICIAL USE

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ITS OBLIGATIONS TO THE GOVERNMENT OF THE UNITED STATES, AND THAT THE JOHNSON ACT IS NOT APPLICABLE AT THAT TIME.

OWING TO THE DEPARTURE FROM BUDAPEST OF AMBASSADOR MCAULIFFE, THE GOVERNMENT OF THE UNITED STATES OF AMERICA HAS DIRECTED ITS CHARGE D'AFFAIRES, ROBERT C. MUDD, TO CONTINUE DISCUSSIONS IN BUDAPEST ON THIS MATTER WITH THE RESPONSIBLE AUTHORITIES OF THE HUNGARIAN PEOPLE'S REPUBLIC

WITH THE GOAL OF CONCLUDING AN AGREEMENT. THESE DISCUSSIONS MAY CONCERN SUCH ISSUES AS RECONCILING TECHNICAL DIFFERENCES ABOUT THE AMOUNT OF THE ARREARAGES, THE SCHEDULE OF REPAYMENT OF INSTALLMENTS DUE FROM THE PRESENT TO 1985, AND OTHER TECHNICAL MATTERS CONCERNING THE REPAYMENT. WE TRUST THAT THESE DISCUSSIONS WILL LEAD QUICKLY TO RESOLUTION OF THE OUTSTANDING TECHNICAL

ISSUES AND THAT THE GOVERNMENT OF THE HUNGARIAN PEOPLE'S REPUBLIC SHARES OUR INTEREST IN BEGINNING THESE DISCUSSIONS IN THE NEAR FUTURE.

AS THE EMBASSY OF THE UNITED STATES IN BUDAPEST HAS PREVIOUSLY CONVEYED, THE GOVERNMENT OF THE UNITED STATES EXPECTS THAT THE MATTER OF THE CONFISCATED "BLOCKED ACCOUNTS" OF U.S. CITIZENS WILL BE RESOLVED NOT LATER THAN A SETTLEMENT OF THE OTHER FINANCIAL ISSUES REFERRED TO IN THIS NOTE.

THE GOVERNMENT OF THE UNITED STATES WISHES TO CONFIRM RECEIPT OF \$12, 158.88 PURSUANT TO THE SURPLUS PROPERTY AGREEMENT OF 1946, AND HAS THE HONOR TO INFORM THE GOVERNMENT OF THE HUNGARIAN PEOPLE'S REPUBLIC THAT IT HAS NO UNSETTLED CLAIMS AGAINST HUNGARY IN CONNECTION WITH THAT AGREEMENT. CONSEQUENTLY, AT PRESENT THERE IS NO OTHER OUTSTANDING ARREARAGE OF THE GOVERNMENT OF THE HUNGARIAN PEOPLE'S REPUBLIC TO THE GOVERNMENT OF THE UNITED STATES OF AMERICA OTHER THAN THE ARREARAGE ARISING FROM THE 1924 FUNDING OF THE FLOUR DEBT. END QUOTE.

4. WHEN PRESENTING THE NOTE YOU SHOULD ALSO INFORM THE GOH THAT, IF IT WISHES, AT THE TIME AGREEMENT IS LIMITED OFFICIAL USE

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REACHED ON THE REPAYMENT OF THE FLOUR DEBT THE U.S. WILL ISSUE AN "OFFICIAL STATEMENT" (I.E. A PRESS RELEASE) THAT AFTER FULL PAYMENT HAS BEEN RECEIVED BY THE USG THE JOHNSON ACT WOULD NOT APPLY AS LONG AS NO NEW ARREARAGES ARISE. THIS WOULD BE IN ADDITION TO THE FORMAL DECLARATION DESCRIBED IN THE NOTE ABOVE, WHICH WOULD BE MADE AFTER FULL PAYMENT OF THE FLOUR DEBT ARREARAGE HAS BEEN RECEIVED. KISSINGER

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